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6-2014

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### Repository Citation

Hopkins, B. E., & Todorova, Z. (2014). Gender Dimensions of the U.S. Consumer Borrowing Expansion. *Journal of Economic Issues*, 48 (2), 501-506.  
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## Gender Dimensions of the US Consumer Borrowing Expansion

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### Abstract

The article calls attention to gender as a dimension of the expansion of US consumer debt. The first section emphasizes that gender is not a dummy variable but an evolution of habits of thought. The second section discusses how changing gender relations are connected to gendered product differentiation and market expansion. In the final section we connect gendered market expansion and changing gender habits of thought to the expansion of consumer borrowing. We argue that in addition to the acknowledged role of credit, gender relations have also masked the structural financial fragility of households.

JEL categories: B52, B54, D14, R20

## Introduction

Evolution of consumption patterns necessarily involves changes in habits of thought. In the tradition of Institutional theory Christopher Brown has located household spending, saving, and borrowing in a socio-economic system with a particular habit structure. Exploring the substantial decline in household and personal saving rates, and investigating borrowing as the roots of the collapse of household saving, Brown (2008, 39) argues that “[t]he household debt surge is the balance sheet manifestation of a reordered social habit structure.” Evolving consumer lending practices and borrowing attitudes, as well as the establishment of new wants and needs are all components of habit formation. The present article calls attention to another dimension of the US consumer debt – gender.

The story of growth in consumer borrowing would benefit from considering how maintaining culturally appropriate and historically specific consumption standards are connected to changing gender habits of thought. Brown alludes to how gender notions of masculinity and femininity are employed in business enterprise’s salesmanship (51), thus hinting at the role of gender in product differentiation and the institutionalization of consumerism. He delineates the links between consumerism and changing norms of financial prudence and between advertising and innovations in consumer credit. The present article offers directions in connecting this process also to changing gender norms. We argue that the “reordered social habit structure” that is manifested by the expansion of borrowing for consumption includes also changes in gender habits of thought. The first section emphasizes that gender is not a dummy variable but an evolution of habits of thought. The second section discusses how changing gender relations are connected to gendered product differentiation and market expansion. In the final section we connect gendered market expansion and changing gender habits of thought to the expansion of

consumer borrowing. We argue that in addition to borrowing, gender relations too have masked the structural financial fragility of households.

### *Gender as Evolving Habits of Thought*

Habits of thought refer to ideas and social practices. Gender could be conceptualized as evolving habits of thought that are in interplay with biological characteristics. Gender is more than sexual differences - actual and socially construed, and refers also to social developments – such as division of labor, household organization, space, dress, and education, among others. Gender habits of thought affect and are affected by changes in other habits of thought such as: production; habitation; mobility; and debtor-creditor conventions among others. When viewed as habits of thought, rather than a dummy variable, gender is both a cause and effect in the social provisioning process.

The male breadwinner household model is one example of a habit of thought that constitutes gender. There has been a shift away from the male breadwinner model both as an ideal and as a practice (Hopkins 2013; Raley, Mattingly and Bianchi 2006). Women are more likely to stay in the labor force after marriage and with young children, and more likely to be pursuing a career. Elite class status is less likely to be displayed by wives who do not earn money as the labor force participation rate of wives in the top quintile has grown to the same level as that of the lowest quintile (Juhn and Potter 2006). Stay at home mothers are just as likely to be women whose skills do not command a salary high enough to cover the cost of child care as they are to be women married to men who earn high salaries (Cohany and Sok 2007). Married

women have entered the labor force to offset declining wages and growing expenditures, and dual-earner households are now the norm for all classes<sup>1</sup>.

Although the decline in the numbers of families that practice the male breadwinner model has exceeded the decline in those who consider it the ideal (Raley, Mattingly and Bianchi 2006), it reflects changing norms about “women’s proper sphere”. Employment is now women’s sphere and while job segregation persists, the gendering of occupations is being contested. Further, over the last decades, women have increased participation in leisure activities previously considered male, such as ice hockey, rock climbing, or motorcycle riding. Yet gender distinction has not disappeared – a particular case in point is consumption.

### *Gender, Consumption, and Market Expansion*

Changing gender relations and expectations go hand in hand with changes of consumption spending and borrowing. The transition from male-breadwinner to dual-earner household model involves market expansion. With the emergence of two-income households, consumption baskets expand in terms of size and types of goods to accommodate the needs and wants of two earners. Working women might require additional goods to engage in market work, such as individual laptops, transportation, eating out, home-offices, as well as the various goods to satisfy ceremonial requirements of workers, such as a new and appropriate wardrobe. The altered consumption basket would also include products that substitute for gendered household production of goods and services, such as childcare, meals prepared outside of the home, convenience foods, as well as various appliances (Eshghi and Lesch 1993). All of these products

are heterogeneous – they are created to convey differences in status and are thus associated with belonging to a specific social reference group.

Changes in gender relations come with anxiety. The evolution of gender implies changes in the behavior of both men and women, but it has been argued that changes in femininity have come more easily than changes in masculinity (England 2010). For example, arguably women do not react to claims that they are masculine, but men react to claims that they are feminine by expressing support for war or interest in purchasing an SUV (Willer, Rogalin, Conlon and Wojnowicz 2013). Anxieties about evolving gender identities offer additional opportunities for market expansion and capitalization because salesmanship (including credit expansion) thrives on promoting gendered fear and shame (Todorova 2009, 112-14; Veblen 1923, 310-11). Thus, the dwindling of the male breadwinner model creates salesmanship opportunities to appease anxieties about gender identities such as masculinities and motherhood and to reorder the gender branding of products and services. Product differentiation and salesmanship activities of business enterprises create, amplify, and capitalize on what have emerged as accepted gender differences. Often there is no instrumental value in creating different designs for women yet gendering products is part of market expansion and furthering the business concern (Alreck 1994). Most noticeable is the targeting of women with pink on pens, cars, laptops, tools, and gear (Krashinsky 2012).

Further, larger in size and growing number of less densely located dwellings are also part of gendered expansion of consumption that is tied to consumer borrowing. Residential homes, while treated as assets, are intimately connected to consumption patterns, not only because they were increasingly used as collateral in borrowing for consumption, paying down other debt, or renovation, but also because residences locate households within specific social class positions

and consumption “canons of decency.” Specifications of a reputable “middle class” dwelling have evolved to include “must haves” such as gourmet kitchens, multiple bathrooms, master suites, wine cellars, and more individualized gendered space within the home such as, his/her closets and baths, “man-caves,” and craft-rooms (Adler 2006). With the evolution of gender habits of thought the desirability of open floor living, such as great rooms, prompted the demand for more new homes. As Brown (2008) points out, credit innovations facilitated the expansion of consumption, especially housing. Thus, gendered real estate salesmanship, along with the changes in credit, promoted and helped create the need for these amenities. Further, over time dual-earner households and their consumption patterns have become the norm for all households<sup>2</sup>. The ways in which these consumption standards would adjust in the face of long-term household liquidity constraints, and how these adjustments will interact with the gender habits of thought, remain to be seen.

### *Gender and Credit: Masking Households’ Fragility*

The role of credit expansion and the evolution of consumption and borrowing habits in the expansion of markets have been recognized by the Institutional literature (Brown 2008; Watkins 2000). In the face of increasing precariousness of employment, lack of pricing power in wage setting, and the rising cost of healthcare, education, and housing, maintaining “middle-class” lifestyles for the majority of U. S. households was made possible by borrowing that hid their growing financial fragility (Brown 2008; Watkins 2009). Brown (2008) describes how financial innovation transformed credit as a habit of thought and how this transformation in the social provisioning process masked the increasing fragility of the system. For example, the shift in maturities on consumer debt contracts created room for undertaking more debt and the

establishment of consumer credit as a habit of thought and a shift towards budgeting on the basis of cash flow as opposed to balance sheet operations. Lengthening of loan maturities means undertaking of long-term financial commitments (Brown 2008, 65-7).

Lengthening of loan maturities are also expressions of life-style commitments. Thus, the gendered expansion of markets described above, would not have been possible without the financial innovations that contributed to the relaxation of long-term household liquidity. Risk based pricing facilitated by credit scoring and securitization lead to the normalization of expensive subprime loans as a lending and borrowing practice. Home loans were financed through the new practice of the origination and distribution of loans under securitization, which expanded the availability of credit and lowered interest rates. What we add to the story is the simultaneous evolution of the dual-earner household, as a method of coping with growing insecurity while striving for middle class consumption status.

The evolution of the dual-earner household was prompted not only by the women's movement but also by a structural transformation of the U. S. economy that made it impossible to maintain middle class aspirations (and increasingly workers' survival) with one earner's paycheck. Like debt, dual-earners allowed households to maintain or increase their standard of living in terms of material goods in the face of a declining economic position of the male breadwinner. As married women entered the labor force and increased their work hours, "real" household incomes rose despite stagnant "real" wages for male workers<sup>3</sup>. However, the concept of "real" income, which is supposed to measure relative standards of living through comparisons of purchasing power, ignores the loss of a woman's contribution to her family's standard of living through household production. Thus, as gender habits shift towards dual-earner households, measures of "real" household income can rise as the actual standard of living falls.



In addition to the rising cost of healthcare, education, and housing, all of the additional costs associated with working wives further increase the expenses necessary to maintain a set standard of living.

Furthermore, the presence of two incomes may have increased the willingness of dual-earners to hold debt, while increasing the risk of default from unemployment as both incomes became essential to meet longer term debt obligations. As households took on second incomes they also faced increased costs and expanded consumption of commodities, including through borrowing. Consequently, households became increasingly dependent on both incomes to meet their obligations increasing the risk that at least one earner would be laid off or face wage cuts. Given the structural change towards greater flexibilization of the labor force, as well as the political tolerance for high unemployment, it seems that the dual-earner household model itself will become increasingly difficult to maintain.

### *Conclusion*

During the last decades achieving and maintaining relative consumption patterns under rising economic insecurity was facilitated by innovations in the credit industry and evolving borrowing habits, but also through changes in gender habits of thought. We have described how the expansion of consumer markets and the masking of household fragility can be traced to changes in gendered habits of thought as well as changes in credit markets and borrowing habits. These processes have enhanced the “capitalized earning capacity” of the corporate business enterprise in the new Veblenian “credit economy”. Expansion of markets is achieved both through credit extension and gendering of products; and marketization – creation of commodities

in place of the unpaid domestic production – is enhanced by evolution of gender habits of thought.

While a focus on credit habits may lead to proscriptions for greater credit market regulation and social control, the implications of the role that gender plays is not to push women back into the home. Rather than returning to a greater level of gender stratification, the presented focus on gender should reinforce the message that the underlying problem in the economy is the increasing precariousness of most households. The socio-economic implications of large numbers of households made up of precarious earners who are forced into multiple part-time jobs are yet to be seen. The dissolution of the dual earner households would be another unveiling of the neoliberal household fragility.

#### Notes

1. Data from Bureau of Labor Statistics supports these findings. However aggregate data does not capture the myriad of reasons that women have entered the labor market.
2. Using data from 1968, Myra Strober (1977) found that households with working wives had a higher consumption to income ratio.
3. Based on Census Data (available at <http://www.census.gov/compendia/statab/2012/tables/12s0699.xls>) from 1970 to 2005 the median income of non-working wife families rose from 45,865 to 48,845 in 2009 dollars while the median income for families rose from 48,640 to 61,741.

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